

PRESS RELEASE

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For Immediate Release

April 5, 2006

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Grant C. Johnson
Assistant U.S. Attorney

Madison, Wisconsin -- Stephen P. Sinnott, United States Attorney for the Western District of Wisconsin, announced that Mark R. Hardyman, DOB: 9/9/1954, of 203 West Wilson, #4, Blanchardville, Wisconsin, was charged today in an Information filed in U.S. District Court in Madison, Wisconsin, with one count of bank fraud.

The Information alleges that from on or about August 1, 2001, to on or about May 7, 2003, Hardyman devised a scheme to defraud the First National Bank of Blanchardville, Blanchardville, Wisconsin, (FNBB) of its right to receive honest services. A copy of the Information, which describes actions taken by the defendant in furtherance of the scheme to defraud, is attached to this press release.

The case will be scheduled for an entry of a guilty plea before the assigned judge, Chief U.S. District Judge Barbara B. Crabb, in the near future. Upon conviction, Hardyman faces a maximum penalty of 30 years in prison, a \$1,000,000 fine, a five-year period of supervised release, a \$100 special assessment, and the entry of an appropriate restitution order.

The charges against Mark R. Hardyman were the result of an investigation conducted by the Madison Resident Agency of the Federal Bureau of Investigation, the Office of Inspector General for the Federal Deposit Insurance Corporation, the Criminal

Investigation Division of the Internal Revenue Service, and the Office of the Inspector General for the United States Department of Agriculture. Prosecution of the case is assigned to Assistant U.S. Attorney Grant C. Johnson.

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

THERESA M. OWENS
CLERK US DIST COURT
WD OF WI

UNITED STATES OF AMERICA

v.

MARK R. HARDYMAN,

Defendant.

) INFORMATION

) Case No.

06 CR 077 C

18 U.S.C. § 1344

THE UNITED STATES ATTORNEY CHARGES:

COUNT 1

1. At all times material to this information:

A. The First National Bank of Blanchardville (FNBB), located in Blanchardville, Wisconsin, was a financial institution as defined in Title 18, United States Code, Section 20, the deposits of which were insured by the Federal Deposit Insurance Corporation (FDIC). As a national bank, FNBB was regulated by the United States Department of Treasury, Office of the Comptroller of Currency (OCC). The OCC supervises the national banking system and is responsible for executing laws relating to that system. The OCC examines national banks periodically to determine their conditions and compliance with the laws.

B. FNBB, as a national bank, was required by Title 12, United States Code, Section 161, to file with the board of governors of the federal reserve system, the FDIC, and the OCC, quarterly reports known as "Consolidated Reports of Condition

and Income for a Bank with Domestic Offices Only - FFIEC 041," also known as a call report. The call reports are reports of the condition and income of a financial institution and are required to be signed by members of the board of directors of the financial institution who attest to the correctness of the report.

C. The defendant MARK R. HARDYMAN was the President of FNBB and served on the Board of Directors of FNBB. The Board of Directors of FNBB consisted of six directors, including the defendant, and was responsible for the administration of the affairs of FNBB.

D. The FNBB Board of Directors met monthly, usually during the first week of the month, to review the past financial activities of FNBB and to review and make decisions on future financial matters. The FNBB Board of Directors had an established procedure requiring the defendant to prepare various documents in preparation for a Board of Directors meeting, which included documents entitled: (1) New and Renewed Loans; (2) Past Due Loans; (3) Overdraft Report; and (4) Statement of Conditions. These documents were included in a packet provided to each director at an FNBB Board of Directors meeting. These documents were used by the Board of Directors to determine the financial condition of FNBB and to make decisions regarding the financial affairs of FNBB.

E. Prior to each meeting of the FNBB Board of Directors, the defendant was responsible for drafting and presenting to the FNBB Board of Directors the minutes of the previous board of directors meeting for the board's approval.

F. FNBB operation policies required that all loans in excess of \$75,000.00 were to be approved by the FNBB Executive Committee of the Board of Directors and loans over \$125,000.00 were to be approved by the FNBB Board of Directors.

G. Pursuant to federal banking regulations, a national bank may not lend more than 15 percent of its capital to any one borrower. This amount is known as the bank's lending limit. As of March 31, 2003, FNBB's legal lending limit was approximately \$400,000.00

H. Federal banking regulations establish a procedure for loan classification by financial institutions. Loans for which payments have not been made for 90 days are required to be classified as nonperforming and placed into a non-accrual status. Non-accrual status requires that the financial institution can no longer claim to be earning interest on the loan. Therefore, any earned interest must be reversed and bank capital must be set aside for the lost principal of the non-performing loan. Classification of a loan as nonperforming has a negative financial impact on the financial condition of the bank.

2. During the period beginning on or about August 1, 2001 and continuing to on or about May 7, 2003, in the Western District of Wisconsin, and elsewhere, the defendant,

MARK R. HARDYMAN,

devised a scheme to defraud the First National Bank of Blanchardville, Blanchardville,

Wisconsin, of its intangible right to receive honest services, which scheme is further described below.

3. In furtherance of the scheme to defraud, the defendant intentionally altered FNBB documents which were submitted to the FNBB Board of Directors in the board of director's packet described in paragraph 1.D above. These packets were submitted to the board of directors at the regular board of directors meetings. The altered documents included, but were not limited to, documents entitled: (1) New and Renewed Loans; (2) Past Due Loans; (3) Overdraft Report; and (4) Statement of Conditions.

4. In furtherance of the scheme to defraud, the defendant knowingly caused call reports to be filed with federal regulators which did not accurately reflect the true financial condition of FNBB.

5. In furtherance of the scheme to defraud, the defendant knowingly caused FNBB records to be altered in such a manner as to mislead federal auditors doing on-site audits at FNBB.

6. In furtherance of the scheme to defraud, the defendant knowingly granted to certain customers loans that were not authorized or approved by the FNBB Board of Directors as required by FNBB's loan policy.

7. In furtherance of the scheme to defraud, the defendant knowingly solicited worthless checks from certain FNBB customers whose checking accounts were either in substantial overdraft status or whose loan accounts were delinquent. With the

customer's knowledge and agreement, these worthless checks would be deposited into the customer's account, causing the customer's overdraft status or delinquent loan status to be substantially reduced. Over the time of the scheme the defendant solicited, and caused the deposit of, over \$17,000,000.00 in worthless checks to FNBB customer accounts which were either in substantial overdraft status or whose loan accounts were delinquent, for the purpose of concealing the true status of the accounts.

8. In furtherance of the scheme to defraud, the defendant falsified minutes of the board of directors' meetings so that the minutes would indicate that particular loans had been approved by the board of directors, when the board of directors in fact had no knowledge of the loans and had not approved the loans.

9. In furtherance of the scheme to defraud, the defendant placed false notes in certain FNBB loan files to make the loan file appear more creditworthy.

10. In furtherance of the scheme to defraud, the defendant intentionally failed to follow banking regulations regarding the classification of loans, in so far as he did not classify loans which were required to be classified, thus causing FNBB's financial condition to appear substantially better than it actually was.

11. In furtherance of the scheme to defraud, the defendant knowingly substantially exceeded lending limits for certain customers and concealed that fact from the FNBB Board of Directors. Included in the lending limit violations as of March 31, 2003, were loans to one FNBB customer in excess of \$6,400,000.00 and to another in excess of \$3,900,000.00.

12. In furtherance of the scheme to defraud, the defendant solicited false financial statements from a certain bank customer to make the customer appear more creditworthy to bank examiners and auditors.

13. In furtherance of the scheme to defraud, the defendant forwarded false financial statements to another financial institution in an attempt to sell loans to that financial institution.

14. In furtherance of the scheme to defraud, the defendant placed certain worthless checks in an account at FNBB known as the "holdover account," rather than promptly reducing the customer's balance by the amount of the worthless check. The effect of placing the worthless check in the holdover account was to allow the credit previously provided to the customer based upon the worthless check to remain in his account, rather than immediately debiting the amount of the bad check as required by banking procedures. This procedure concealed the true status of the customer's account during the time period that the check remained in the holdover account.

15. On or about December 31, 2002, in the Western District of Wisconsin, the defendant,

MARK R. HARDYMAN,

knowingly executed the above described scheme by causing a false entry to be made in FNBB records, specifically, the filing of a false debit/credit memo with FNBB which falsely indicated that a particular customer had received a \$2,200,000.00 wire, when, as the defendant well knew, the debit/credit memo was false and the wire had not been

received as of the time he caused the debit/credit memo to be entered on FNBB books and records.

(All in violation of Title 18, United States Code, Section 1344).

March 30, 2006
Date

Stephen P. Sinnott
STEPHEN P. SINNOTT
United States Attorney